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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

DEFENSE DIVISION

B-163074



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Dear Mr. Secretary:

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We are currently reviewing the Army's Base Operating Information System (BASOPS) which is being implemented at major U. S. Army installations. This review was undertaken for the House Committee on Appropriations in compliance with the Chairman's request that we continually review the Department of Defense's development, installation, and operation of automatic data processing systems. H 300 5

We believe that BASOPS was prematurely extended beyond the prototype test stage and are recommending that further extension be delayed until critical deficiencies have been corrected, and the efficiency and effectiveness of the system have been demonstrated. The basis for this recommendation is discussed in detail below. Essentially, we found that deficiencies in the financial and supply management subsystems have resulted in a loss of management control over these areas. The remaining subsystem, military personnel management, is functioning acceptably, although it had difficulties earlier.

Our review was conducted at the U. S. Army Computer Systems Command; Office of the Deputy Chief of Staff for Logistics, Department of the Army; Office of the Comptroller of the Army; Headquarters, Fifth U. S. Army; and Fort Sam Houston, Texas. We also inquired into the status of BASOPS at other major Army installations. The problems discussed in this letter reflect upon the operation of BASOPS, not on particular installations using the system, even though a certain installation may be cited in explaining a problem.

BACKGROUND

BASOPS, formerly known as Continental Army Command (CONARC) Class One Automated System (COCOAS), was initiated in 1965 to standardize the multiplicity of ADP equipment, programming systems, and management reporting procedures in use by Army installations throughout the United States. The responsibility for the design, test, installation, and improvement of BASOPS was transferred from CONARC to the U. S. Army Computer Systems Command (CSC) in July 1969.

In October 1970, the Secretary of the Army approved the extension of the supply management subsystem contingent upon the correction of 34 deficiencies identified during the Army's evaluation of the prototype system at Fort Sill, Oklahoma. These corrections were necessary to meet the Army's minimum requirement for a standard supply system. The Secretary unconditionally approved the extension of the financial management and military personnel management subsystems.

The extension of BASOPS beyond the prototype installation was initiated in September 1970. As of June 30, 1971, 26 installations had received all, or a large portion, of the computer equipment. By this same date, however, the software for the personnel management subsystem and the supply and financial management subsystems had been extended to only 17 and 10 installations, respectively. The Army plans to continue extension of the system to about three installations per month, starting in August 1971, with the system to be implemented at 35 installations by April 1972. The Office of the Assistant Secretary of Defense (Comptroller) is now reviewing the status of BASOPS. While some 1972 apportionments have been temporarily withheld from BASOPS, pending receipt of additional information from the Army, no conclusions or decisions have been made by the Office of the Assistant Secretary of Defense (Comptroller).

DEFICIENCIES IN THE FINANCIAL
MANAGEMENT SUBSYSTEM

The deficiencies in the financial management subsystem are seriously affecting the accuracy and reliability of accounting records at those installations operating under BASOPS. As a result, the installations (1) are unable to adequately manage and budget their resources, (2) have had to establish and maintain extensive manual records, and (3) are experiencing difficulties in complying with Section 1311, Public Law 663.

The adverse effects of inaccurate financial records on financial control are illustrated by a May 12, 1971, letter from the Commanding General, Fort Sill, to the Commanding General, Fourth U. S. Army, (subsequently consolidated with Fifth U. S. Army), which states in part:

"As you are aware, we at Sill, in conjunction with the proponent agencies of the CSC (Computer Systems Command) and COA (Comptroller of the Army) have been attempting

to make the new BASOPS automated Financial Management System work since November 1970. However, to date the system remains unacceptable. My greatest single concern is the lack of progress being made in the correction of major program deficiencies by the proponent agencies. This in turn has caused loss of control of the financial management of the installation. During the seven months since the implementation of BASOPS, our accounts have been forced further and further out of balance and subject to ever increasing error conditions. We are doing all within our power to maintain validity of the most critical accounts by supplementary manual manipulation, but the increasing volume of transactions is almost overwhelming. The following may serve to give a feel for the developing situation:

1. On 31 March, according to BASOPS, there is a \$14 million negative cash balance with the Treasury Department and \$30 thousand negative stock fund inventory balance. The former would indicate a major over expenditure in violation of legal statute; the latter is a physical impossibility since our warehouses are relatively full. Only our manual accounting assures us that we do have these two areas under control.

2. Depending on where one researches, at least six different figures can be obtained to reflect the single value of stock fund obligations. Even with maximum manual work we are unable to reconcile them, or prove which of the six is correct, if any."

The conditions illustrated above were widespread within the Fifth Army, and have not significantly improved. For example, the total operation and maintenance expense, as reflected by BASOPS at Fort Bliss, Texas, was \$833.5 million through May 1971, instead of the correct figure of \$40.9 million. As of July 1, 1971, Forts Sill, Riley, Sam Houston, Bliss, and Wolters reported that under BASOPS they did not have fund control over consumer funds; they did not know the balance of cash on hand; and they did not have control over acquisition authority balances in the stock funds.

These inaccurate accounting records have resulted in the submission of inaccurate, late, and unsigned or qualified financial reports to higher headquarters. We also noted that most of the financial reports submitted by the Fifth Army installations under BASOPS have been manually changed and the validity of some of these reports is questionable. The submission of unsigned or qualified financial reports is an indication that the installation Finance and Accounting Officer does not consider the report data to be valid.

Section 1311, of Public Law 663, requires each installation to certify the accuracy of their year-end financial reports. In an effort to comply with the legal requirement, all Fifth Army installations under BASOPS have adopted extensive procedures to correct and restore accounting files. We were informed that even after the files are corrected the same problem will recur with fiscal year 1972 transactions, unless the basic cause of the inaccurate files can be determined and corrected.

There is also a probability, according to CONARC, that erroneous stock fund and consumer fund data will be used in budget projections. The accuracy and reliability of some data issued from Fifth Army for the BASOPS installations to CONARC are questionable, due to the deficiencies mentioned above.

DEFICIENCIES IN THE SUPPLY MANAGEMENT SUBSYSTEM

According to CONARC, numerous deficiencies existing in the BASOPS supply management subsystem have resulted in the degradation of supply management capabilities that existed under the previous system. The deficiencies are causing duplicate issues, distortion of demand histories and stockage levels, and the disposal of items with existing requirements. Also, a number of necessary supply functions are not provided by BASOPS, such as the ability to mechanically identify interchangeable and substitute items.

The financial portion of the supply management subsystem also has a number of deficiencies. BASOPS installations do not know their acquisition authority balance because stock fund obligations under BASOPS are either incorrectly recorded, or not recorded at all. For example, the system did not record any stock fund obligations at Fort Sam Houston for May 1971, even though over \$1.8 million was obligated during this period. They also did not know the correct

cumulative obligations for the base stock fund as of May 31, 1971. In addition, stock fund sales data, which are necessary for proper supply management, are not being accurately recorded by the BASOPS system.

To partially overcome deficiencies in the supply management subsystem, BASOPS installations have had to adopt numerous manual procedures. One of these procedures is the maintenance of a manual Army stock fund general ledger to enable the installation to correct BASOPS produced general ledger and related reports.

We believe the statement made in May 1971 by the Office of Deputy Chief of Staff, Logistics, CONARC, clearly summarizes the significance of the deficiencies in the supply management subsystem:

"*** Continued extension of a barely adequate supply system with limited plans for improvements is unacceptable to CONARC, due not only to serious degradations in supply and management but also due to the high level of manual executions necessary to meet minimum requirements. ***"

INABILITY TO RESOLVE BASOPS
DEFICIENCIES IN A TIMELY
MANNER

Although numerous computer program changes have been made to BASOPS since extension began in September 1970, the Army has been unable to resolve all of the critical deficiencies in the supply management and financial management subsystems. We have been informed that, in some instances, program changes not only fail to correct problems, but also create new ones. This is particularly true in the financial management subsystem. A CSC official stated that the financial programs have been altered so many times it is difficult to determine how to make further corrections, and that their "quick-fix" actions result in additional problems.

As previously discussed, the Secretary of the Army approved the extension of the supply management subsystem contingent upon the correction of some 34 deficiencies in order to meet the Army's minimum requirement for a standard system. The subsystem was extended, however, before 20 of these deficiencies were resolved. Most were still unresolved as of July 1, 1971. We have been told that there are 15 critical supply deficiencies, with no scheduled correction date; 12 of these will not be resolved until the BASOPS supply subsystem is replaced or absorbed

by a new system called Standard Automated Intermediate Level Supply (SAILS) System. Implementation of SAILS is scheduled to begin in January 1972.

According to CONARC, major corrections to the supply management subsystem cannot be made in the near future because CSC resources are not sufficient to make major system changes and to extend the system at the same time.

There were 14 critical deficiencies existing in the financial management subsystem when it was first extended. COA personnel advised us that these deficiencies were corrected by March 11, 1971. However, according to Fort Sam Houston personnel, six of the deficiencies remained unresolved as of July 1, 1971. In addition, numerous other financial management deficiencies currently exist. We have been unable to determine when these deficiencies will be corrected. However, CSC has recommended that the BASOPS stock fund applications be completely redesigned and reprogrammed because the present programs have been altered so often that it is difficult to make additional changes. CSC estimates that the stock fund application programs can be redesigned by November 1971.

CONCLUSIONS AND RECOMMENDATIONS

We believe that the lack of progress in resolving critical BASOPS problems indicates that these deficiencies may not be resolved in the near future, or without major redesign efforts. Rather than devote the effort necessary to redesign the system and correct the problems, the Army seems intent upon expending their efforts on the extension of BASOPS to other installations.

2/ We recommend that your office require the Army to defer its plan to extend the system and that a critical analysis of the system be made. We also recommend that future extension of the system not be made until the Army has corrected the problems and has clearly demonstrated that the system can function in an efficient and effective manner. 20

We also question whether the continued operation of a system that does not produce reliable management data is warranted. As an alternative, you may wish to consider reverting to one or more of the systems previously used at the installations, until BASOPS is operating effectively. This could result in saving the lease costs for much of the BASOPS equipment currently in use.

B-163074

These recommendations are subject to the provisions of Section 236 of the Legislative Reorganization Act of 1970 which requires that you submit written statements of the action taken with respect to the recommendations. We will appreciate receiving copies of the statements you furnish the specified committees in accordance with these provisions.

Copies of this report are being sent today to the Secretary of the Army.

We will be pleased to discuss the contents of this report in further detail should you so desire.

Sincerely yours,

E. M. Bailey

Director

The Honorable
The Secretary of Defense